



Arlington Finance Committee

Date: Thursday, October 5, 2023.

Time: 7:30-10:00pm.

Location: Robert P. O'Neill Community Room, 2nd Floor, Community Safety Building,
112 Mystic Street, Arlington and Conducted via Remote Participation – Zoom Meeting.

Agenda

1. Introduction by Chair and Chair's Comments.
2. Minutes for approval.
3. Review of Special Town Meeting Warrant Articles.
4. Other Business (as needed).
5. Adjourn.

Register in advance for this meeting: <https://town-arlington-ma-us.zoom.us/meeting/register/tZEvfuGprjksGdaQGuwzZIC0UO7DCJxqLESg>

After registering, you will receive a confirmation email containing information about joining the meeting.

Members of the public are asked to send written comments to
tbradley@town.arlington.ma.us

Documents regarding agenda items will be made available via the Town's website.

Information regarding Order Suspending Certain Provisions of the Open Meeting Law:
<https://www.mass.gov/info-details/updated-guidance-on-holding-meetings-pursuant-to-the-act-extending-certain-covid-19-measures>

By Christine Deshler, Finance Committee Chair

Reference 1: MBTA Communities Act and Arlington Presentation – Heigham, Jones & Foscett

Reference 2: MBTA Density Overlay Email – Carl Wagner

MBTA Communities Act and Arlington

Financial Dimensions

Topics

- Background
- Analytical Approach
- Resources
- Current State of Arlington Residential Valuation and Taxation
- Municipal Expense Elasticity
- Implications of MBTA Communities Act
- Recommendations

Background

- Arlington's MBTA Working Group has been developing a plan for incorporating requirements of the MBTA Communities Act (the "Act") in Arlington
- The Act requires zoning modifications to allow capacity for 2046 housing units in Arlington which is approximately 10% of the existing households in Town
- The Working Group has proposed several potential plans with additional housing capacity for as many as 15,000 units.
- The question being addressed herein is "How do we evaluate the financial impact of these changes in Arlington?"

Analytical Approach

- A zoning capacity change is a long-term strategic issue; therefore, it is important to understand the long-term impacts.
- It is not possible to predict if or when the potential additional capacity might be built out, nor its exact characteristics, population density or tax related valuations.
- We have a rich data set of today's financial characteristics and demographics.
- One approach is to use today's dollars in all analyses and assume that the entire build-out occurs immediately. This would give a snapshot of what the future might look like, in today's dollars, if the full capacity might be built out.
- Municipal expense elasticity and population density are two variables which must be assumed in any analysis.
- Traditional taxes and valuations are looked at on a per parcel basis. However, municipal expense is driven by services for people, whether seniors, children, students, parents, veterans, or economically challenged, etc.
- In this analysis financial parameters are presented on a per capita basis to normalize revenues and costs in a common framework. Reported household density is 2.38 persons per household.

Resources

Arlington

- "20230725 Public Meeting Sl.pdf"
- "20230920080346408UNITS.pdf"
- "20230920080346408UNITS.xlsx"
- "ArlingtonMA_Assessor_Database.xlsx"
- "DOR Use Codes Chapter4.pdf"
- "propertytypecodes_1.pdf"
- "salesallstyle201820230922.xlsx"
- Town Assessing Director Dana Mann was especially help both in discussion and in providing data reports.
- Finance Director and Deputy Town Manager was especially helpful in discussion and providing specific insights.

Note: References and resources can be made available upon request.

Open Literature

- Demand for Density__ The Functions of the City in the 21st Century _ Brookings.pdf"
- "Glaeser-CrimeCities-1999.pdf"
- "goodman_christopher_b_201208_phd.pdf"
- "ladd-1992-population-growth-density-and-the-costs-of-providing-public-services (1).pdf"
- "Population growth inflation and municipal revenues and expenditu.pdf"
- "s42949-022-00048-y.pdf"
- "State and Local Expenditures _ Urban Institute.pdf"
- "The Costs of Sprawl Reconsidered_ What ...pdf"
- "urbansci-05-00069-with-cover.pdf"
- Various DOR Financial Websites

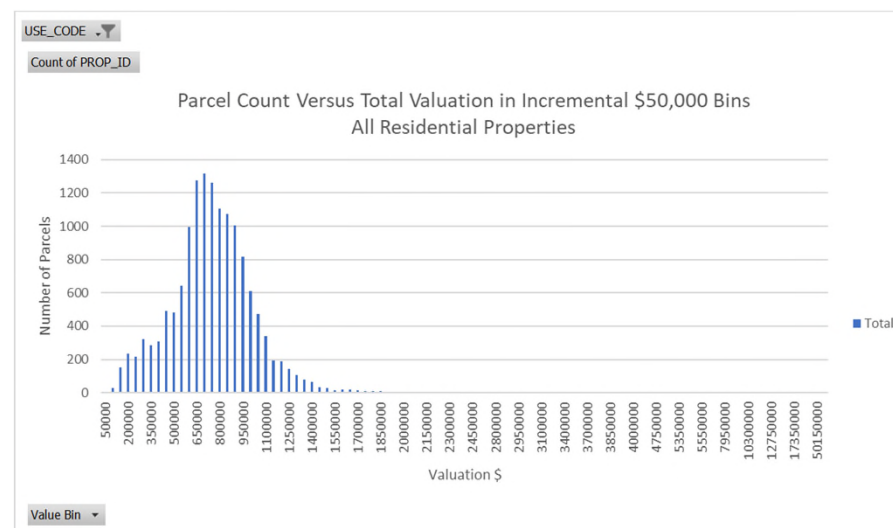
Helen F. Ladd

- Helen F. Ladd is the Susan B. King Professor Emerita of Public Policy and Economics at Duke University's Sanford School of Public Policy. Her education research has focused on municipal finance, school finance and accountability, teacher labor markets, school choice, and early childhood programs.
- Her 1992 often-referenced seminal work "Population Growth Density and the Cost of Providing Municipal Services" examined 247 counties across the United States to quantitatively model municipal costs.
- In this reference she comments "Regardless of the rate of population growth, the higher density associated with a larger population is likely to increase the costs of public services and therefore spending." ...
"..development...does not pay its way."

Arlington Residential Taxpayer Snapshot

2023 Tax Revenue Per Parcel			
Type	DOR Use Code	Mean Parcel Valuation	Average Tax Revenue Per Parcel
Single Family	101	912,386	10,283
Condo	102	534,165	6,020
Two Family	104	971,350	10,947
Three Family	105	1,048,488	11,816
Mixed Use	013 031	1,697,804	19,134
Four to Eight Units	111	1,148,639	12,945
More than Eight Units	112	7,876,099	88,764
Affordable Housing Units	114	316,762	3,570

2023 Tax Revenue Per Capita			
Type	DOR Use Code	Mean Household Valuation	Average Tax Revenue Per Capita
Single Family	101	912,386	4,297
Condo	102	534,165	2,516
Two Family	104	485,675	2,288
Three Family	105	349,496	1,646
Mixed Use	013 031	273,496	1,288
Four to Eight Units	111	248,558	1,171
More than Eight Units	112	226,267	1,066
Affordable Housing Units	114	76,460	360

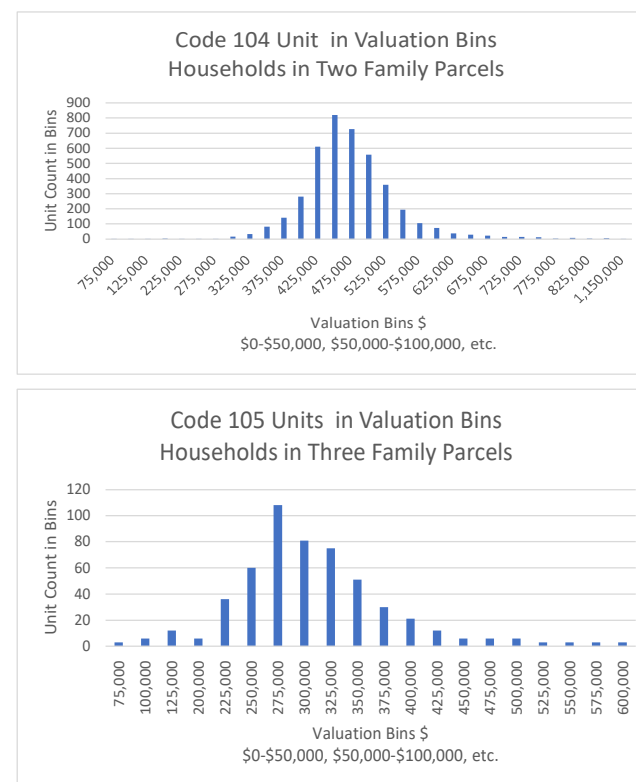
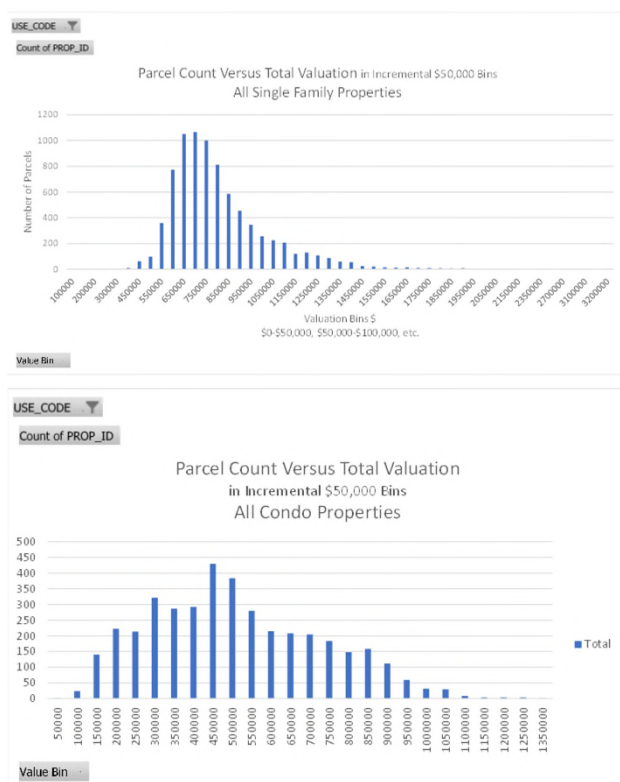


Per Capita Expense	
FY 2024 Total Expense	207,109,610
Less External Aid and Local Receipts	(37,981,129)
Net Long Term Local Cost	169,128,481
Cost per Capita	3,673

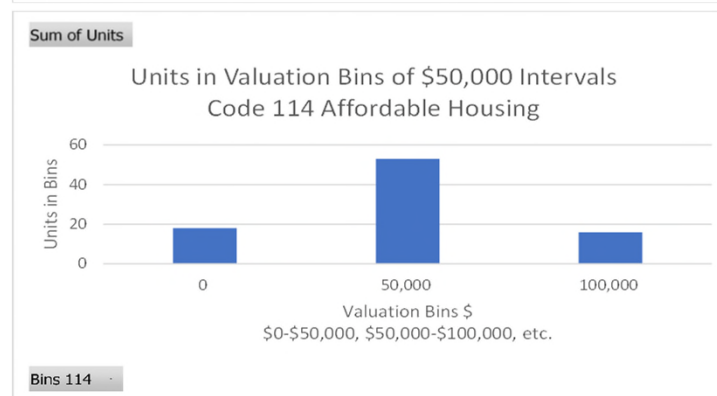
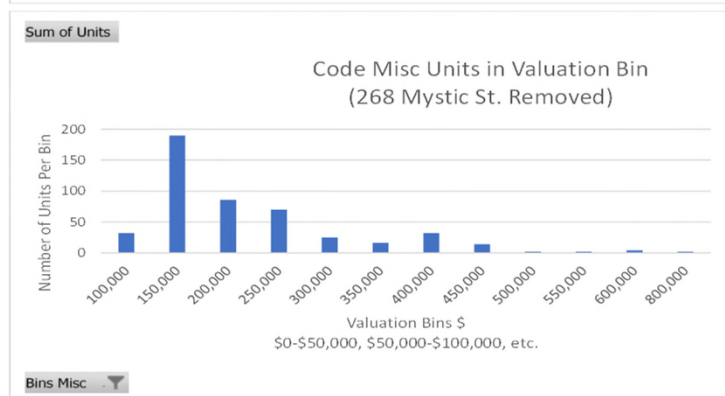
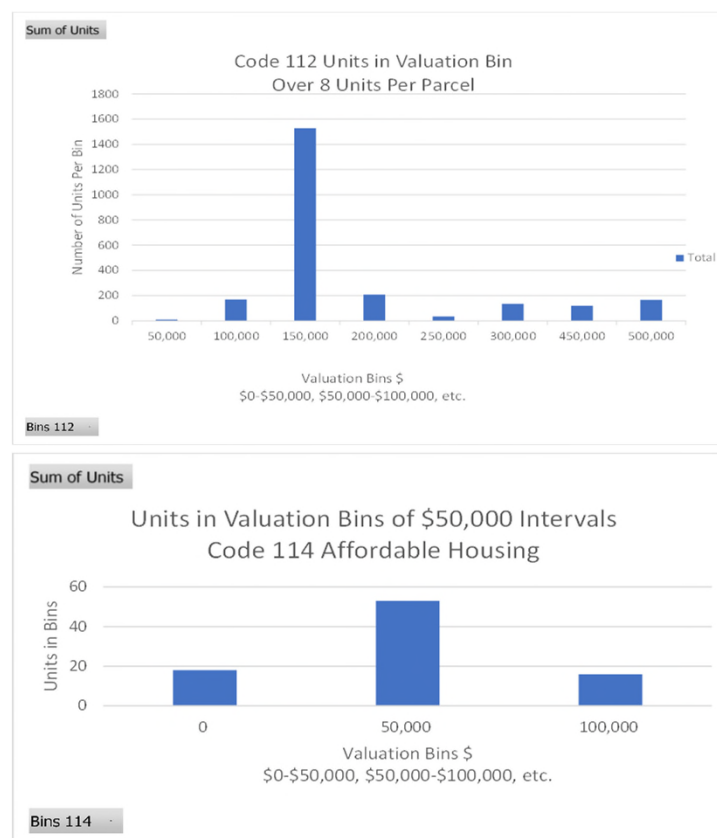
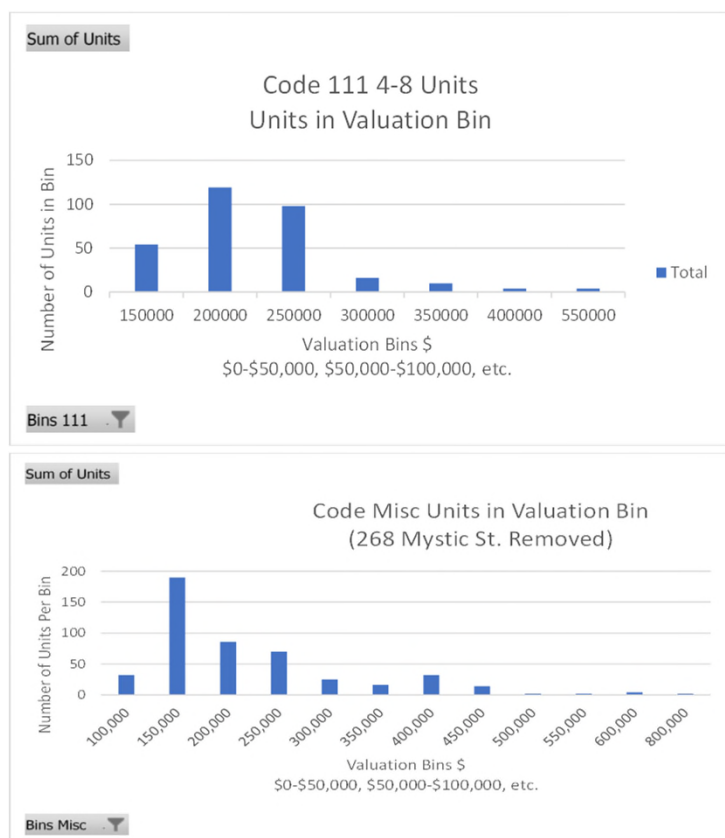
Single Family Taxpayers are subsidizing all others on a per capita basis.

Distribution of Household Valuations -I

Bins in \$50,000 Increments



Distribution of Household Valuations - II



Comments on Household Valuation Distributions

- Single family residence households are the only category that produce per capita tax revenues above the Town's average per capita expense.
- Three family and higher unit configurations produce tax revenue below 50% of the average per capita expense.
- Assessor Director Mann reported an increase of taxes on two new residential properties, replacing commercial. While the total tax revenues increased, the tax revenue per capita is still well below Arlington's average per capita cost.

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Analysis of Two New Properties			
	Original Tax Revenue	New Tax Revenue	Units
882 Mass Ave			20
887 Mass Ave			9
Total Tax Revenue	10,800	50,000	29
	Occupants Per Unit		Household Population
Current Average Occupancy	2.38		69
What if Occupancy	1.5		44
			Tax Revenue Per Capita
Current Average Occupancy			724
What if Occupancy			1,149

Municipal Expense Elasticity

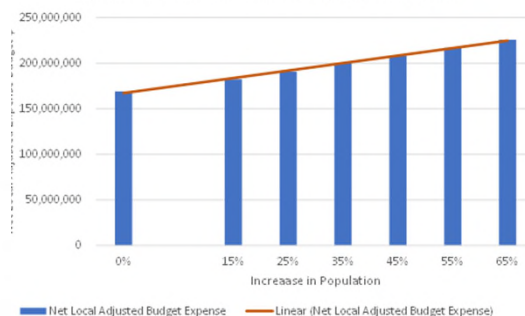
- Most operating entities of any type have fixed and variable expenses. In this analysis we are concerned with municipal expenses varying with changes in population.
- An entity with no variable cost and all fixed cost is “100% inelastic”. With no fixed costs and all variable costs, it is “100% elastic”.
- To gauge the impact of population increases in Arlington, we need to estimate municipal expense elasticity. In Arlington, we define the School Department operations as 50% elastic, because we add 50% of the DESE certified student cost to the base school budget for each additional student.
- It is likely that police, fire, emergency and trash collection are very elastic, but that street lighting and similar expenses are inelastic.
- There are two ways to approach budget elasticity versus population. One is to analyze budgets across the Commonwealth versus population. The other is to estimate elasticity by department within Arlington’s budget.
- The following table is an estimate of elasticity by department. The adjusted department expense is the original expense, from the 2023 Finance Committee Report to the Annual Town Meeting, multiplied by $(1 + \text{population growth} \times \text{departmental elasticity})$.

An Elasticity Model

Original Budget From Summary of Finance Committee Recommendations
Fiscal Year 2024

Budgets	Elasticity Change		10% Pop+Elasticity Chg	
	0%	Department Elasticity	15%	Impacted Budget
Town Manager				
3 Town Manager (17-1-0)	745,453		745,453	
4 Human Resources	384,979	20%	396,528	
5 Information Technology	1,154,325	50%	1,240,899	
6 Computer	347,808	5%	350,215	
7 Treasurer-Collector	731,521	75%	813,817	
8 Postage	188,016		188,016	
9 Board of Assessors	336,591	50%	361,835	
10 Legal	516,294	20%	531,783	
Planning & Community Development (17-2-0)	635,032		635,032	
15 Redevelopment Board	10,800		10,800	
17 a. Public Works Administration	295,364	10%	299,794	
17 b. Engineering (16-0-1)	181,116	20%	186,549	
17 c. Cemetery	302,532		302,532	
d. Natural Resources (inc. field maintenance)	1,854,531	25%	1,924,076	
e. Sanitation/Highway Div. (inc. snow & ice)	7,457,765	90%	8,464,563	
17 f. Motor Equipment Repair	470,295	50%	505,567	
17 g. Street lighting, traffic signals	250,000		250,000	
18 Facilities	1,119,358	20%	1,152,939	
19 Police Services (16-1-0)	9,096,750	70%	10,051,909	
20 Fire Services	8,652,732	70%	9,561,324	
21 Inspections	527,082	70%	580,426	
23 Libraries	2,753,438	50%	2,959,948	
a. Health and Human Services				
24 Administration	745,207	10%	756,476	
24 b. Veterans' Services	327,753		327,753	
24 c. Council on Aging	367,408	50%	394,964	
24 d. Diversity, Equity & Inclusion	193,666		193,666	
Total Town Manager	39,645,756		43,188,863	
Select Board				
a. Administration and Licensing	277,855		277,855	
c. Accounting and Auditing	78,000		78,000	
Parking	54,280	25%	56,316	
Zoning Board of Appeals	73,910		73,910	
Total Select Board	484,045		486,081	
Town Clerk	286,814	50%	308,325	
Board of Registrars	71,535	50%	76,900	
Total Town Clerk	358,349		385,225	
a. Contributory Pensions	14,133,735	29%	14,757,201	
b. Non-Contributory Pensions *	0		0	
Total Pensions	14,133,735		14,757,201	
Insurance (14-0-1)	22,077,822	29%	23,051,717	
Elections & Town Meeting	195,840		195,840	
Reserve Fund	1,900,782	25%	1,972,061	
Total Fixed Budgets	2,096,622		2,167,901	
Finance Committee	11,848		11,848	
Education (14-3-0)	88,947,334	50%	95,618,384	
Total Budgets (Article 37)	167,755,511		179,043,754	

Expense and Rate Increase vs. Population Increase



This table is an estimate of elasticity by department. The adjusted department expense is the original expense multiplied by (1+population growth x departmental elasticity).

A population increase of 100% would apply each department elasticity as shown. For population increases of less than 100% the budget elasticity effect is weighted by the population increase. For example, at a population increase of 15%, the school budget impact is 50% x 15% = 7.5%

Education at 52% of the operating budgets is the dominant effect on elasticity. Average Elasticity in the model is 42%.

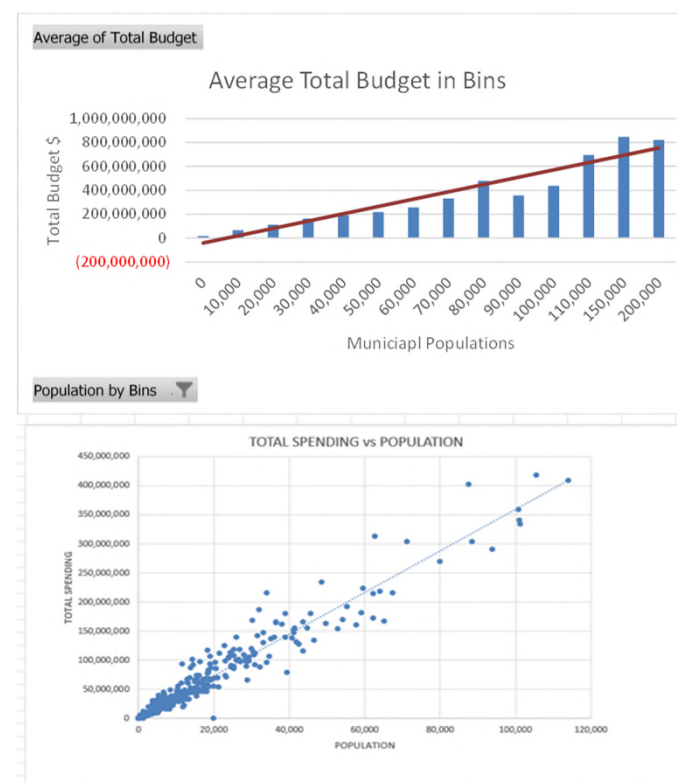
Original Budget From Summary of Finance Committee Recommendations
Fiscal Year 2024

Budgets	Elasticity Change		10% Pop+Elasticity Chg	
	0%	Department Elasticity	15%	Impacted Budget
Total Budgets (Article 37)	167,755,511			179,043,754
Capital Budget	22,380,767	50%		24,059,325
OTHER WARRANT ARTICLES				
35 Positions reclassification (16-2-0)	5,043			5,043
36 Collective Bargaining / Salary Reserve	700,000	20%		721,000
39 Amendments to FY 2023 Budgets				
44 Minuteman Regional School	8,932,916			8,932,916
Arlington Commission on Arts & Culture	35,000			35,000
Arlington Historical Commission	8,700			8,700
Community Service Program (Harry Barber)	7,500			7,500
45 Disability Commission (11-0-4)	20,000			20,000
45 Envision Arlington	3,000			3,000
45 Gas Leaks Task Force (14-3-1)	0			0
45 Historic District Commissions	6,000			6,000
45 Human Rights Commission	7,500			7,500
45 LGBTQIA+ Rainbow Commission	4,000			4,000
45 Open Space Committee	2,000			2,000
45 Scenic Byway	2,000			2,000
46 Tourism & Econ. Development	4,275			4,275
45 Transportation Advisory	2,000			2,000
45 Zero Waste Arlington (Recycling)	3,000			3,000
46 250th Anniversary Celebration	25,000			25,000
46 Flags on graves of veterans	4,500			4,500
46 Town Day	5,000			5,000
Veteran's, Mem., Patriot's Day				
46 Parades	5,667			5,667
47 Indemnification, medical costs (14-0-1)	10,810			10,810
47 Legal defense fund	0			0
48 Water bodies (Cons Comm)	50,000			50,000
Community Service Program (moved to Art 45)	0			0
Revaluation of Real Property	100,000			100,000
Stratton Safe Routes	0			0
Subsidized compost collection	5,000			5,000
Retiree health insurance (OP&CO) (15-0-2)	2,067,454	20%		2,129,478
Long term stabilization fund	100,000			100,000
TOTAL OTHER ARTICLES	12,116,365			12,199,389
TOTAL WARRANT ARTICLES	262,252,641			275,352,467
Total with Other	207,199,610			220,159,434
	Increase			13,649,424
Gross for information only				
Per Capita Cost	4,498			4,781
Increased in Per Capita Cost				283
Increase Per Capita %				6.3%

Mass Cities and Towns Budget vs. Population

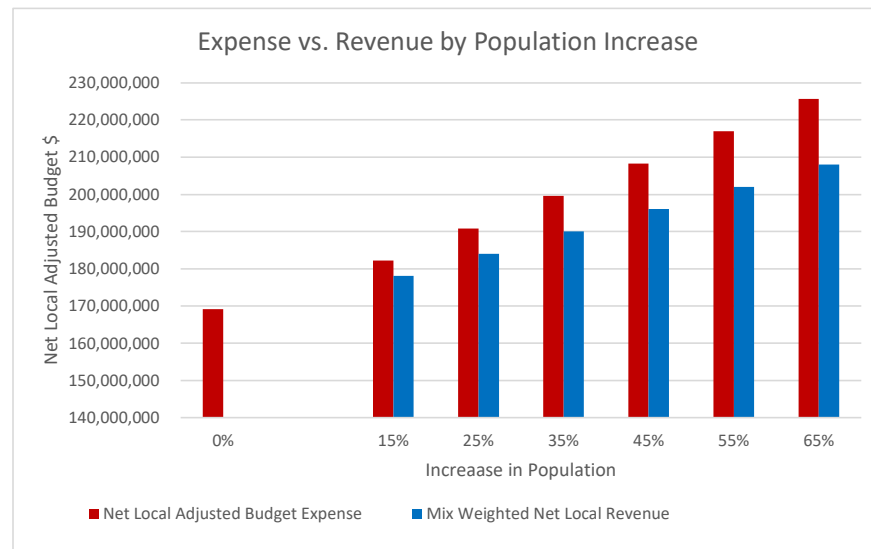
- Mass has 351 Cities and Towns.
- Budgets vary very close to linearly with population.
- Correlation coefficient is 0.95.
- This data makes a strong argument that municipal expense is 75% to 100% elastic with population.
- Our model calculation of 42% is conservative

Municipality	Population	Total Budget	Budget Best Fit
Watertown	35,149	188,423,589	156,323,689
Arlington	45,617	198,992,036	199,835,833
Framingham	71,265	322,758,646	306,446,404
Fall River	93,884	355,816,512	400,466,386



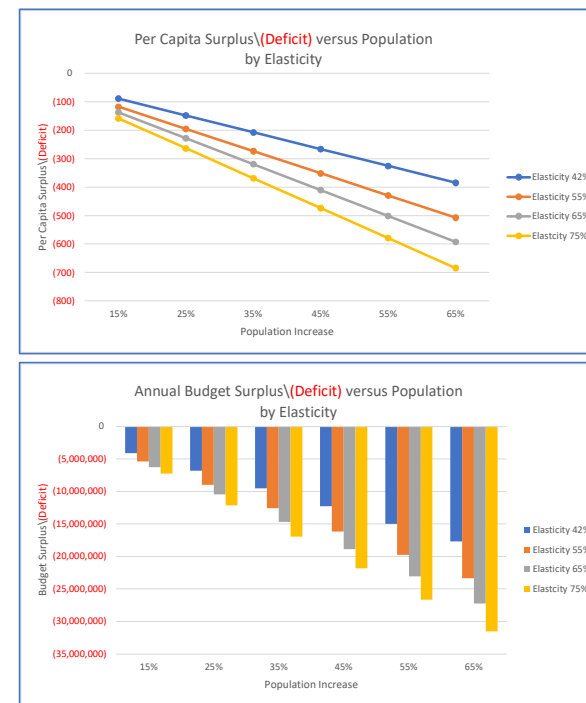
Revenue Shortfall vs. Population Increase

- In Arlington, revenue shortfall starts at \$4.1 million for a 15% increase in population.
- Budget elasticity drives increases in cost as a function of increase in population density
- For population increases from a mix of
 - 34% Three-family
 - 33% 4-8 units and
 - 33% over 8 units
 the shortfall starts at (\$4.1 million) for 15% population increase and rises to (\$17.7 million) for a 65% population increase.



Expense Impact vs. Elasticity

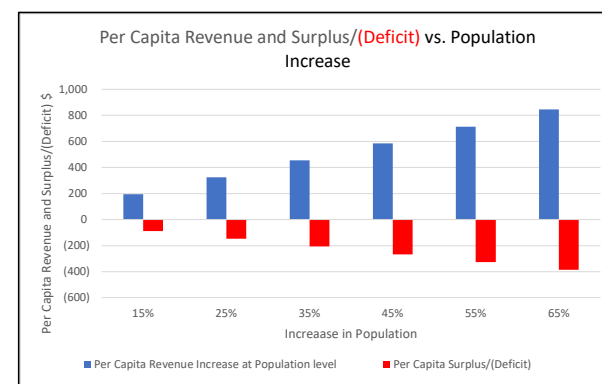
- Municipal budgets across the state are almost 100% elastic.
- Over the long run, Arlington costs should mirror those across the Commonwealth.
- If Arlington's municipal expense level versus population follows elasticity state-wide indicators, the negative impact becomes dramatic.
- Arlington's total budget deficits could reach **(\$6 million)** to **(\$12 million)** per year for moderate increases in population as shown in the charts at right.



Multi-unit Per Capita Revenues Are Too Low

- Multi-unit valuations are significantly lower on a per capita basis.
- Expenses are driven by population growth.
- Arlington's average per capita expense in 2024 is \$3,673 based on a population of 46,045.
- Under the current taxation method, only Single-Family residences produce per capita tax revenues higher than the average per capita expense.
- Higher growth and population density produce higher deficits.

Per Capita Expense	
FY 2024 Total Expense	207,109,610
Less External Aid	(37,981,129)
Net Long Term Local Cost	169,128,481
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2023 Tax Revenue Per Capita			
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Summary

- Even at the minimum MBTA expanded housing capacity, Arlington expenses will grow *faster* than revenues.
- Even recently built multi-units produce tax revenues below the Town's average per capita cost.
- The Town can constrain expenses, but only at a cost of reduced service levels (refer to Arlington School Committee).
- From a financial perspective a 15% increase in population, in the model a capacity expansion of 3,069 units* (meaning a total zoning capacity of about 6,000 units in the overlay districts), drives an additional annual deficit of \$4.1 million.
- If tax revenues per capita rise above cost per capita, the zoning capacity can be revisited.

* Based on state definition of 20,460 housing units in Arlington

Fw: Dear Town Manager - please insist on an MBTA density overlay that meets the state law, but doesn't exceed it - and a new WG that meets Arlington stakeholders' needs

Reference 2

C Wagner <cawagner@hotmail.com>

Tue 10/3/2023 4:22 PM

To: Rebecca Younkin <ryounkin@town.arlington.ma.us>; Carolyn White <cawhite@town.arlington.ma.us>; Allan Tosti <atosti@town.arlington.ma.us>; Jennifer Susse <jsusse@town.arlington.ma.us>; Jordan Remy <jremy@town.arlington.ma.us>; Sophie Migliazzo <smigliazzo@town.arlington.ma.us>; David McKenna <dMckenna@town.arlington.ma.us>; Josh Lobel <jlobel@town.arlington.ma.us>; Annie LaCourt <alacourt@town.arlington.ma.us>; Alan Jones <ajones@town.arlington.ma.us>; Christopher Heigham <cheigham@town.arlington.ma.us>; Darrel Harmer <dharmer@town.arlington.ma.us>; John Griffin <jgriffin@town.arlington.ma.us>; Grant Gibian <ggibian@town.arlington.ma.us>; Charlie Foskett <cfoskett@town.arlington.ma.us>; Christine Deshler <cdeshler@town.arlington.ma.us>; Dean Carman <dcarman@town.arlington.ma.us>; Tara Bradley <tbradley@town.arlington.ma.us>; Shane Blundell <sblundell@town.arlington.ma.us>; Peggy Bliss <pbliss@town.arlington.ma.us>

Dear Members of the Finance Committee:

I wanted to forward my recent email to you that I sent concerning the MBTA density overlay to the Town Manager. In other towns, such as you can see below cited for Lincoln, your organization would have been included in planning for how the Town meets the density overlay Act in the best way for your constituent stakeholders and you. Your organization or those representing you should have been included - and should be in better proposals for the largest changes in our lifetimes to our Town. The current proposals come from an 8-member Working Group with a specific goal of market priced housing for those that can afford it. Arlington deserves a task force to prepare a better plan with your voice on it.

Regards,
Carl Wagner

From: C Wagner <cawagner@hotmail.com>

Sent: Monday, October 2, 2023 5:11 PM

To: Jim Feeney <jfeeney@town.arlington.ma.us>; Claire Ricker <cricker@town.arlington.ma.us>

Cc: EHelmuth@town.arlington.ma.us <EHelmuth@town.arlington.ma.us>; SDeCoursey@town.arlington.ma.us <sdecoursey@town.arlington.ma.us>;

LDiggins@town.arlington.ma.us <ldiggins@town.arlington.ma.us>; jhurd@town.arlington.ma.us <jhurd@town.arlington.ma.us>;

DMahon@town.arlington.ma.us <dmahon@town.arlington.ma.us>

Subject: Dear Town Manager - please insist on an MBTA density overlay that meets the state law, but doesn't exceed it - and a new WG that meets Arlington stakeholders' needs

Please insist on an MBTA density overlay that meets the state law, but doesn't exceed it - and a new WG that meets Arlington stakeholders' needs

Dear Manager Feeney (cc: Select Board):

Thank you for taking the helm of administering the important workings of Arlington Town government. The most important decisions in zoning in Arlington in our lifetime are being discussed in the ARB now and will soon come before 255 Town Meeting members in the Special Town Meeting. The current plans, created by a Working Group under the Planning Department, do not serve Arlington, and are not approved by Arlington broadly. Town Meeting and all of Arlington's taxpayers deserve better options..

Arlingtonians, by their concerned comments in written and spoken comments are highly interested that Town officials (you) stop the madness that the Working Group has put in place. Over 600 Arlingtonians have signed the petition at <https://petition.arfr.org> to ask you to require a 100% compliant option for Town Meeting and our town. The current "compromise" proposals before the ARB are not at all what we need, and not compromise. They are many times more than the state requires, and even the 100% compliance with the state would be a burden on our town and affordability. We don't know the details, because the Working Group has not done an adequate job of studying the effects, and the ARB has not required it of them. The ARB itself will have a 4 member vote on the proposals—even though 2 of the ARB members served on the Working Group!

Arlington and Arlington Town Meeting deserve better options, more analysis of negative or unintended effects. Arlington deserves to have officials that work for the broad groups who live and work here, not for high priced housing for wealthier 'car-free' occupants who don't live here yet and developers to profit from, at the expense of our town finances, our open spaces, traffic, schools and services - our cost of living.

People have written to the Select Board, but they indicate their hands are tied. They are doing nothing, by all outward signs.

Mr Town Manager, can you please act to require meeting but not exceeding the state law, if you care about this town and our stakeholders who live, work and pay taxes here? Direct your Department of Planning to immediately build a task force to come up with at least 1 more

option: a 100% compliance (2,046 units, 15 units/acre, some near Alewife) scenario. Require assessments of each scenario's effect on schools, taxes and affordability, the environment/congestion/pollution/traffic, and other factors, such as short-, medium- and long-term municipal finance. Reference 2

The current proposals are ruinous and obscure the truth of what they propose. Density at higher than the Vox apartments on Route 2. 7,600 units. These numbers (of higher priced housing that delete our affordability laws) are bad enough - overpayment of a tax on Arlingtonians, but they deliberately hide the additional 25-50% more units in the 'developer bonus floors and 0 setback' options the Working Group has offered. The real density could be closer to 100 units/acre and 11,000 units. These two 'alternatives' are anything but compromise. This simple fact should be shocking: 30-50% more higher-priced units/people in the state's 2nd densest town.

Look at how our WG could have been, below, from Lincoln's Working Group. We deserve a new task force that would make a new proposal for spring town meeting, instead of the narrow high priced , 'car-free' housing agenda of the Arlington WG:

"To comply with the specific statutory requirements of the new legislation, Lincoln has established a Housing Choice Act Working Group (HCAWG) by vote of the Select Board. Its members are:

- * Michelle Barnes, Lincoln Land Conservation Trust
- * Abigail Butt, Director, Council on Aging & Human Services
- * Bill Churchill, Zoning Board of Appeals
- * Rachel Drew, Housing Commission
- * Bob Domnitz, Planning Board (until end of March 2023)
- * Steve Gladstone, Water Commission (beginning April 2023)
- * Andrew Glass, Historical Commission
- * Jennifer Glass, Select Board
- * Tim Higgins, Town Administrator
- * Darin LaFalam, Superintendent, Water Department
- * John MacLachlan, School Committee
- * Geoff McGean, Rural Land Foundation
- * Craig Nicholson, Planning Board (beginning May 2023)
- * Terry Perlmutter, Council on Aging & Human Services Board
- * Kathleen Shepard, Conservation Commission
- * Gary Taylor, Planning Board
- * Paula Vaughn MacKenzie, Director, Planning and Land Use."

Please require your Planning Department and ARB to step back from the MBTA density overlay Articles at STM - and the new density Articles that they have completely failed to make Arlingtonians aware of, to get input on or to make appropriate adjustments on. Submit these at Spring Town Meeting, require the WG to provide better analysis on the existing alternatives and the ones Arlington deserves to see: at 100% compliance and with some near Alewife.

Thank you,

Carl Wagner
Edgehill Road
Precinct 15 TMM